4.1 b) Market share (AO2, AO4)

Market share refers to the sales revenue that an organisation accounts for within a given market or industry. It is measured by expressing the firm's sales revenue as a percentage of the whole industry's sales revenue. Market share is expressed as a percentage figure to show the firm's sales as a proportion of the total sales in the market, which is more meaningful than just showing the absolute value of the firm's sales revenue.

The formula used to calculate market share is:

$$\text{Market share \%} = \frac{\text{firm's sales}}{\text{total sales in the market}} \times 100$$

Knowledge of the *market size* is therefore necessary in order to calculate market share. **Market size** can be defined as the total number of individual customers or the total value of sales revenue in a certain market. Alternatively, it can also refer to the number of potential buyers in the market. The size of a market can be measured in a number of ways, but usually refers to the number of people in a certain market who are potential customers of a product or service. For example, the market for smartphones is significantly larger than the market for lawnmowers or horse saddles. Businesses are interested in knowing the market size of a good or service before launching a new product in the market.

The market for horse saddles is smaller than that for sports shoes

The most common methods of measuring the size of a market are:

- The potential number of customers in a market for a particular good or service
- Sales volume, i.e. the quantity products sold to customers.
- Sales value (or sales revenue), i.e. the amount spent by customers on the product sold by firms in the market.
- The number of competitors (rivals) in the market. This can give an indication of the degree of intensity of competition. The greater the barriers of entry into the market, the fewer the number of rivals will exist in the market.

Market share is usually measured by the value of **sales revenue**, but can also be expressed as a percentage of the **sales volume** (units sold). It also allows a business to compare its size with that of its closest rivals.

A common **organisational objective** of many businesses is to increase their market share, as this is an indication that their marketing strategies have been successful and they have gained a competitive edge over their rivals. The firm with the largest market share in the industry is known as the **market leader**.

Examples include Colgate (toothpaste), Kellogg's (breakfast cereals), Google (search engines), and Coca-Cola (soft drinks).

Other examples of businesses with large market share in their respective industries include:

- Automobiles - Toyota, Volkswagen, and General Motors.
- Comics - Marvel (a subsidiary of The Walt Disney Co.) and DC Comics (a subsidiary of Warner Bros.)
- Fast food - McDonald's, Burger King, Subway and KFC.
- Food packaging - Tetra Pak is the world's largest food packaging company, with operations in more than 160 countries, using its infamous patented tetrahedron shaped plastic-coated paper cartons
- Games consoles - Microsoft's Xbox, Sony's PlayStation, and Nintendo's Wii.
- Online payment platforms - PayPal has around 90 per cent market share in the USA, despite competition from rival providers such as Apple Pay.
- Search engines - Google, Baidu, Microsoft Bing, and Yahoo!
- Smartphones - Samsung, Huawei, Apple, and Oppo.
- Soft drinks - Coca-Cola is the world's largest carbonated soft drinks producer, with more than 1.8 billion servings
  per day sold in over 200 countries.
- Sports apparel - Nike, Adidas, and Puma.
- Zips - YKK, a Japanese company founded in 1934, is the world's largest manufacturer of zip fasteners, with production facilities in more than 70 countries.